

CALIFORNIA DEPARTMENT OF FOOD AND AGRICULTURE

AUDIT OFFICE



17TH DISTRICT AGRICULTURAL ASSOCIATION
NEVADA COUNTY FAIR
GRASS VALLEY, CALIFORNIA

INDEPENDENT AUDITOR'S REPORT
AND FINANCIAL STATEMENTS

AUDIT REPORT #08-014
FOR THE YEARS ENDED
DECEMBER 31, 2007 AND 2006

17TH DISTRICT AGRICULTURAL ASSOCIATION
NEVADA COUNTY FAIR
GRASS VALLEY, CALIFORNIA

INDEPENDENT AUDITOR'S REPORT
AND FINANCIAL STATEMENTS

FOR THE YEARS ENDED
DECEMBER 31, 2007 AND 2006

AUDIT STAFF

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AUDIT REPORT NUMBER

#08-014

17TH DISTRICT AGRICULTURAL ASSOCIATION
NEVADA COUNTY FAIR
GRASS VALLEY, CALIFORNIA

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CALIFORNIA DEPARTMENT OF
FOOD & AGRICULTURE

A. G. Kawamura, Secretary

Mr. Skip Lusk, President
Board of Directors
17th DAA, Nevada County Fair
11228 McCourtney Road
Grass Valley, California 95949

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying statements of financial condition of the 17th District Agricultural Association (DAA), Nevada County Fair, Grass Valley, California, as of December 31, 2007 and 2006, and the related statements of operations and changes in accountability, and cash flows-regulatory basis for the years then ended. These financial statements are the responsibility of the 17th DAA's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We have conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the 2007 financial statements referred to above present fairly, in all material respects, the financial position of the 17th DAA, Nevada County Fair, as of December 31, 2007, and the results of its operations and changes in accountability, and cash flows-regulatory basis for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

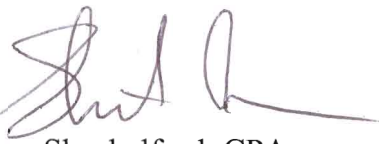
In 2006, we were unable to apply general auditing procedures without extensive effort to satisfy ourselves to the amount stated in the accompanying financial statements for Account 131, Accounts Receivable – Net, (stated as \$84,815) at December 31, 2006. As of December 31, 2006, an amount for employee receivables was analyzed and has not been agreed upon.



In our opinion, except for the effects on the 2006 financial statements of the matter discussed in the preceding paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the 17th District Agricultural Association, Nevada County Fair, as of December 31, 2006, and the results of its operations and changes in net resources for the years then ended, in conformity with the basis of accounting described in Note 2 to the financial statements.

The 17th DAA, Nevada County Fair has not presented the Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Management Report #08-014, on the 17th DAA's compliance with State laws and regulations and system of internal accounting control, is issued solely for the purpose of additional analysis and should be addressed by the 17th DAA as appropriate. This additional report, however, is not a required part of the basic financial statements.


For Ron Shackelford, CPA
Chief, Audit Office

January 16, 2009

**17TH DISTRICT AGRICULTURAL ASSOCIATION
NEVADA COUNTY FAIR
GRASS VALLEY, CALIFORNIA**

**STATEMENTS OF FINANCIAL CONDITION
December 31, 2007 and 2006**

	<u>Account Number</u>	<u>2007</u>	<u>2006</u>
ASSETS			
Cash in Bank	111-117	\$ 680,617	\$ 699,025
Accounts Receivable, Net	131	111,340	84,815
Inventory	141	3,677	1,393
Deferred Charges	143	4,176	-
Construction In Progress	190	74,193	28,440
Land	191	598,266	598,266
Buildings and Improvements, Net	192	2,891,518	2,902,491
Equipment, Net	193	38,130	32,980
TOTAL ASSETS		<u>4,401,917</u>	<u>4,347,410</u>
LIABILITIES AND NET RESOURCES			
Liabilities			
Accounts Payable	212	81,835	17,492
Taxes Payable	221 - 226	6,032	2,042
Deferred Income	228	19,398	89,288
Guaranteed Deposits	241	3,950	1,450
Unclaimed Checks	242	-	5,650
Compensated Absences Liability	245	84,575	58,580
Trust Liability	259	7,952	7,952
Total Liabilities		<u>203,742</u>	<u>182,454</u>
Net Resources			
Reserve for Junior Livestock Auction	251	64,315	66,835
Net Resources - Operations	291	531,754	535,943
Net Resources - Capital Assets, less Related Debt	291.1	3,602,106	3,562,178
Total Net Resources Available		<u>4,198,175</u>	<u>4,164,956</u>
TOTAL LIABILITIES AND NET RESOURCES		<u>\$ 4,401,917</u>	<u>\$ 4,347,410</u>

**17TH DISTRICT AGRICULTURAL ASSOCIATION
NEVADA COUNTY FAIR
GRASS VALLEY, CALIFORNIA**

STATEMENTS OF OPERATIONS/CHANGES IN ACCOUNTABILITY
Years Ended December 31, 2007 and 2006

	Account Number	2007	2006
REVENUE			
State Apportionments	312	\$ 124,000	\$ 124,000
Project Reimbursement & Other Funds	317, 319, & 340	81,581	6,879
Admissions	410	364,102	369,296
Commercial Space	415	19,925	18,552
Carnival	421	255,025	241,745
Food Concessions	422	214,074	199,555
Exhibits	430	16,981	38,850
Horse Show	440	14,132	14,315
County Christmas Fair	450	105,726	114,756
Attractions - Fairtime	460	81,190	438,664
Draft Horse Show	4660	359,375	-
Miscellaneous Fair	470	274,197	215,998
JLA - Revenue	476	25,662	23,106
Interim	480	423,133	355,598
Prior Year Adjustment	490	13,602	2,449
Other Revenue	495	50,281	32,043
Total Revenue		<u>2,422,986</u>	<u>2,195,806</u>
EXPENSES			
Administration	500	574,018	454,345
Maintenance and Operations	520	620,575	572,014
Publicity	540	47,882	60,480
Attendance	560	148,707	129,690
Miscellaneous Fair	570	139,965	116,887
Miscellaneous Non-Fair	5705	31,855	-
JLA - Expense	576	28,182	19,625
Premiums	580	44,533	43,694
Exhibits	630	122,660	98,153
Horse Show	640	15,665	13,677
County Christmas Fair	650	29,615	28,179
Attractions - Fairtime	660	182,975	155,738
Interim Entertainment	6605	303,097	289,490
Equipment	723	27,665	20,739
Prior Year Adjustments	800	44,031	(11,920)
Cash Over/Short from Ticket Sales	850	593	(57)
Depreciation Expense	900	151,749	173,043
Capital Expenditures, Fair	910	(124,000)	-
Total Expenses		<u>2,389,767</u>	<u>2,163,777</u>
RESOURCES			
Net Change - Income / (Loss)		33,219	32,029
Resources Available, January 1		4,164,956	4,132,927
Resources Available, December 31		<u>\$ 4,198,175</u>	<u>\$ 4,164,956</u>

**17TH DISTRICT AGRICULTURAL ASSOCIATION
NEVADA COUNTY FAIR
GRASS VALLEY, CALIFORNIA**

**STATEMENTS OF CASH FLOWS - REGULATORY BASIS
Years Ended December 31, 2007 and 2006**

	<u>2007</u>	<u>2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Excess of Revenue Over Expenses (Expenses Over Revenue)	\$ 33,219	\$ 32,029
Adjustment to Reconcile Excess of Revenue Over Expenses to Net Cash Provided by Operating Activities:		
(Increase) Decrease in Accounts Receivable	(26,525)	(74,900)
(Increase) Decrease in Inventory	(2,284)	5,050
(Increase) Decrease in Deferred Charges	(4,176)	3,140
Increase (Decrease) in Deferred Income	(69,890)	45,158
Increase (Decrease) in Accounts Payable	64,343	(8,197)
Increase (Decrease) in Unclaimed Checks	(5,650)	-
Increase (Decrease) in Current Portion of LT-Debt	-	(4,348)
Increase (Decrease) in Payroll Taxes and Other Liabilities	3,990	9,253
Increase (Decrease) in Compensated Absence Liability	25,995	(8,805)
Increase (Decrease) in Guaranteed Deposits	2,500	600
Total Adjustments	<u>(11,697)</u>	<u>(33,049)</u>
Net Cash Provided (Used) by Operating Activities	<u>21,522</u>	<u>(1,020)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
(Increase) Decrease in Construction in Progress	(45,753)	-
(Increase) Decrease in Buildings & Improvements	10,973	85,835
(Increase) Decrease in Equipmen	<u>(5,150)</u>	<u>(21,284)</u>
Net Cash Provided (Used) by Investing Activities	<u>(39,930)</u>	<u>64,551</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase (Decrease) in Long-Term Liability	<u></u>	<u>(1,165)</u>
Net Cash Provided (Used) by Financing Activities	<u>-</u>	<u>(1,165)</u>
NET INCREASE (DECREASE) IN CASH	(18,408)	62,365
Cash at Beginning of Year	699,025	636,660
CASH AT END OF YEAR	<u><u>\$ 680,617</u></u>	<u><u>\$ 699,025</u></u>

**17TH DISTRICT AGRICULTURAL ASSOCIATION
NEVADA COUNTY FAIR
GRASS VALLEY, CALIFORNIA**

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2007 and 2006

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - The 17th District Agricultural Association (DAA) was formed in 1937, for the purpose of sponsoring, managing, and conducting the Nevada County Fair each year in Grass Valley, California. The State of California, Department of Food and Agriculture, through the Division of Fairs and Expositions provides oversight responsibilities to the DAA. The DAA is subject to the policies, procedures, and regulations set forth in the California Government Code, California Business and Professions Code, Public Contracts Code, Food and Agricultural Code, State Administrative Manual, and the Accounting Procedures Manual established by the Division of Fairs and Expositions.

The State of California allocates funds annually to the DAA's to support operations and acquire fixed assets. However, the level of State funding varies from year to year based on budgetary constraints. The Division of Fairs and Expositions determines the amount of the allocations.

Basis of Accounting - The accounting policies applied to and procedures used by the DAA conform to accounting principles applicable to District Agricultural Associations as prescribed by the State Administrative Manual and the Accounting Procedures Manual. The DAA's activities are accounted for as an enterprise fund. The Governmental Accounting Standards Board defines an enterprise fund as a fund related to an organization financed and operated in a manner similar to a private business enterprise where the intent is to recover the costs of providing goods or services to the general public primarily through user charges.

The DAA's financial activities are accounted for using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP) as promulgated by the Governmental Accounting Standards Board. Thus, revenues are reported in the year earned rather than collected, and expenses are reported in the year incurred rather than paid.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the

reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes – The DAA is a state agency and therefore, is exempt from paying taxes on its income.

Cash and Cash Equivalents - The DAA's cash and cash equivalents are separately held in various local banks. The Financial Accounting Standards Board defines cash equivalents as short-term, highly liquid investments that are both: (1) readily convertible to known amounts of cash; and (2) so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. The cost of all cash equivalents of the DAA approximates market value.

The California State Treasury makes available the Local Agency Investment Fund (LAIF) through which local governments may pool investments. Each governmental entity may invest up to \$40,000,000 in the fund. Investments in the LAIF are highly liquid, as deposits can be converted to cash within 24 hours without loss of interest.

In accordance with the Accounting Procedures Manual, the DAA is authorized to deposit funds in certificates of deposit and interest bearing accounts. However, Government Code Sections 16521 and 16611 require the bank or savings and loan association to deposit, with the State Treasurer, securities valued at 110 percent of the uninsured portion of the funds deposited with the financial institution. Government Code Sections 16520 and 16610 provide that security need not be required for that portion of any deposit insured under any law of the United States, such as FDIC and FSLIC.

Property and Equipment - Construction-in-progress, land, buildings and improvements, and equipment are acquired with operating funds and funds allocated by the State. Any acquired assets, if greater than \$5,000 and a useful life of one or more years, are capitalized and depreciated. Buildings and improvements are depreciated over a period of 30 years, and purchases of equipment are depreciated over five years. Amounts spent on repair and maintenance costs are expensed as incurred by the Fair. Furthermore, donated building improvements, and equipment are recorded at their fair market value at the date of the gift. This recorded basis is depreciated over the useful lives identified above. Amounts spent on projects that have not been placed in service are recorded in Account #190, Construction-in-Progress and no depreciation is recorded on Construction-in-Progress until the project is completed and the asset is placed in service.

Sales Taxes – The State of California imposes a sales tax on all of the DAA's sales of merchandise. The DAA collects that sales tax from customers and remits the entire amount to the state Board of Equalization. The DAA's

accounting policy is to exclude the tax collected and remitted to the State from revenues and cost of sales.

Compensated Absences - Pursuant to Statement No. 16 of the Governmental Accounting Standards Board, State and local governmental entities are required to report the liability for compensated absences. Compensated absences are absences for which permanent employees will be paid, such as vacation, personal leave, and compensatory time off. The compensated absences liability is calculated based on the pay rates in effect at the balance sheet date.

NOTE 2 CASH AND CASH EQUIVALENTS

The following list of cash and cash equivalents were held by the DAA as of December 31:

	<u>2007</u>	<u>2006</u>
Petty Cash & Change Fund	\$ 950	\$ 700
Cash in Bank - Operating	8,088	(7,819)
Cash-Operating	338,654	20,999
Cash in Bank – Premium	(4,213)	1,432
Cash in Bank – Payroll	-	(193)
Cash-JLA Checking	(10,848)	(11,524)
Cash-JLA Money Market	83,074	76,654
Cash in Bank – Time Deposits	<u>264,912</u>	<u>618,776</u>
Total Cash and Cash Equivalents	<u>\$ 680,617</u>	<u>\$ 699,025</u>

NOTE 3 ACCOUNTS RECEIVABLE

The DAA is required to record an allowance for doubtful accounts based on estimates of collectibility.

	<u>2007</u>	<u>2006</u>
Accounts Receivable - Trade	\$ 33,081	\$ 84,815
Accounts Receivable - CCA	75,361	-
Unemployment Insurance-Reimb	3,314	-
Allowance for Doubtful Accounts	<u>(416)</u>	<u>-</u>
Accounts Receivable - Net	<u>\$ 111,340</u>	<u>\$ 84,815</u>

NOTE 4 PROPERTY AND EQUIPMENT

Buildings and improvements, and equipment at December 31, 2007 and 2006 consist of the following:

	2007	2006
Building & Improvements	\$5,308,810	\$5,158,579
Less: Accumulated Depreciation	(2,417,292)	(2,256,088)
Building & Improvements - Net	<u>\$2,891,518</u>	<u>\$2,902,491</u>
Equipment	\$ 168,060	\$ 152,560
Less: Accumulated Depreciation	(129,930)	(119,580)
Equipment - Net	<u>\$ 38,130</u>	<u>\$ 32,980</u>

NOTE 5

RETIREMENT PLAN

Permanent employees of the DAA are members of the Public Employees' Retirement System (PERS), which is a defined benefit contributory retirement plan. The retirement contributions made by the DAA and its employees are actuarially determined. Contributions plus earnings of the Retirement System will provide the necessary funds to pay retirement costs when accrued. The DAA's share of retirement contributions is included in the cost of administration. For further information, please refer to the annual single audit of the State of California.

Retirement benefits fully vest after five years of credited service for Tier I employees. Retirement benefits fully vest after ten years of credited service for Tier II employees. Upon separation from State employment, members' accumulated contributions are refundable with interest credited through the date of separation. The DAA, however, does not accrue the liability associated with vested benefits.

The Alternate Retirement Program (ARP) is a retirement savings program that certain employees hired on or after August 11, 2004 are automatically enrolled in for their first two years of employment with the State of California. ARP is administered by the Savings Plus Program with the Department of Personnel Administration and invests funds in a fixed-income fund. ARP provides two years of retirement savings (five percent of paycheck amount each month) in lieu of two years of service credit. At the end of the two-year period, the deductions are placed in CalPERS and the retirement service credit begins.

Temporary, 119-day, employees of the DAA participate in the Part-Time, Seasonal, Temporary (PST) Retirement Plan. The PST Retirement Plan is a mandatory deferred compensation plan under which 7.5% of the employee's gross salary is deducted before taxes are calculated. These pre-tax dollars are placed in a guaranteed savings program. The employee has the option of leaving these funds on deposit upon separation, or requesting a refund.

NOTE 6

RECLASSIFICATION

Certain prior-year balances have been reclassified to conform to current year presentation. This reclassification did not have an effect on net income.

NOTE 7

DEFERRED INCOME

Deferred income totaling \$19,398 at December 31, 2007 consist of 2008 sponsorship revenue totaling \$3,000, and 2008 facility rental revenue received in 2007 totaling \$16,398.

**17TH DISTRICT AGRICULTURAL ASSOCIATION
NEVADA COUNTY FAIR
GRASS VALLEY, CALIFORNIA**

REPORT DISTRIBUTION

<u>Number</u>	<u>Recipient</u>
1	President, 17th DAA Board of Directors
1	Chief Executive Officer, 17th DAA
1	Director, Division of Fairs and Expositions
1	Chief Counsel, CDFA Legal Office
1	Chief, CDFA Audit Office

CALIFORNIA DEPARTMENT OF FOOD AND AGRICULTURE

AUDIT OFFICE



17TH DISTRICT AGRICULTURAL ASSOCIATION
NEVADA COUNTY FAIR
GRASS VALLEY, CALIFORNIA

MANAGEMENT REPORT #08-014

YEAR ENDED DECEMBER 31, 2007

17TH DISTRICT AGRICULTURAL ASSOCIATION
NEVADA COUNTY FAIR
GRASS VALLEY, CALIFORNIA

MANAGEMENT REPORT
YEAR ENDED DECEMBER 31, 2007

AUDIT STAFF

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MANAGEMENT REPORT NUMBER
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CALIFORNIA DEPARTMENT OF
FOOD & AGRICULTURE

A. G. Kawamura, Secretary

Mr. Skip Lusk, President
Board of Directors
17th DAA, Nevada County Fair
11228 McCourtney Road
Grass Valley, California 95949

In planning and performing our audit of the financial statements of the 17th District Agricultural Association (DAA), Nevada County Fair, Grass Valley, California, for the year ended December 31, 2007, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure. However, we noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

In addition, this Management Report includes: (1) matters other than those related to the internal control structure which came to our attention that could, in our judgment, either individually or in the aggregate, have a significant effect on the entity's financial reporting process (e.g., accounting errors, significant audit adjustments, etc.), and (2) areas of non-compliance by the Nevada County Fair with respect to State laws and regulations, with the Accounting Procedures Manual, and with established policies and procedures.

In accordance with Government Code Section 13402, Fair managers and Board of Directors are responsible for the establishment and maintenance of a system or systems of internal accounting and administrative control within their agencies. This responsibility includes documenting the system, communicating system requirements to employees, and assuring that the system is functioning as prescribed and is modified, as appropriate, for changes in conditions.

Due to the small size of the 17th DAA's office staff, it is not practical to have the degree of segregation of duties possible in a larger organization. Therefore, the Board of Directors must consider this when determining the extent that the Board becomes involved in operations to adequately safeguard the 17th DAA's assets. The system of internal control should provide the Board of Directors and management reasonable, but not absolute,



assurance that: (1) only authorized transactions are executed; (2) transactions are properly recorded in the accounting records; and (3) material errors and irregularities that may occur, will be detected by the 17th DAA in a timely manner during the normal course of operations. In this regard, it is particularly important that the Board review and approve significant transactions and critically review monthly financial information. The 17th DAA's minimum staffing was one factor considered in determining the nature, timing, and extent of the tests to be performed on the 17th DAA's accounting procedures, records, and substantiating documents.

During our audit of the internal control structure of the 17th DAA and compliance with state laws and regulations, we identified three areas with reportable conditions that are considered weaknesses in the Fair's operations: accounting for leave liability, barter services with temporary employees, and temporary employees. We have provided five recommendations to improve the operations of the Fair. The Fair must respond in writing on how these recommendations will be implemented.

We also identified additional areas containing non-reportable conditions. These conditions and accompanying recommendations are not considered significant weaknesses. We have included these items solely for the benefit of the 17th DAA's management. We suggest the Fair implement the recommendations as soon as practicable. The Fair, however, is not required to provide written responses to the recommendations for non-reportable conditions.

REPORTABLE CONDITIONS

ACCOUNTING FOR LEAVE LIABILITY

The Fair allowed two employees to carry over Compensated Time Off (CTO) in excess of 240 hours. These employees had 773 and 710 hours of CTO respectively, at year-end. According to the employees' respective bargaining unit (unit 12 – Craft and Maintenance), the maximum number for CTO is 240 hours. According to the employees' bargaining unit, "employees may accumulate up to 240 hours of CTO. All hours in excess of 240 CTO hours shall be compensated in cash." This was a prior year finding.

In addition to above, the Fair allowed three employees to exceed the maximum hours allowed for accrual of vacation. These employees had 956, 886, and 680 hours of vacation respectively. According to the employees' related bargaining units, the maximum vacation balance that may be accumulated is 640 hours. As well as not complying with the terms and conditions specified within the bargaining unit, allowing an employee to maintain excessive leave balances represents a considerable cash burden should the employee separate from the Fair.

Recommendation

- 1. The Fair should encourage employees with excess balances to take time off and compensate employees in cash for excess CTO hours, thereby reducing their accumulated leave balances.*
- 2. The Fair should ensure permanent employees do not maintain accrued leave hours in excess of the required limits. The Fair should encourage the employees with excess balances to take time off, thereby reducing their accumulated leave balances.*

BARTER SERVICES WITH TEMPORARY EMPLOYEES

The Fair has a standard agreement with six individuals to serve as RV park host, caretaker of the fairgrounds, and to provide after-hours night emergency services in exchange for rent-free lodging in the fairground's recreational vehicle (RV) park. The Fair did not prepare or issue an Internal Revenue Service (IRS) Form 1099-B, Proceeds from Broker and Barter Exchange Transactions, to report the fair market value of the rent-free lodging as miscellaneous income. The IRS requires this form be prepared any time services are exchanged through a barter exchange.

Furthermore, we noted the Fair did not demonstrate a competitive bidding effort in procuring these services. Although no money was exchanged, the value of the service agreements appears to have exceeded \$5,000. Based on information provided by the Fair, a space in the RV park rents for \$28 per night. Therefore, a permanent year-round space would total approximately \$10,220. The State Contracting Manual, section 5.06, dictates that state contracts of \$5,000 or more must have evidence that bids were obtained. Furthermore, Section 5.08, Competitive Bidding Options, states that "[t]hree competitive bids or proposals

Management Report #08-014

Grass Valley, California

are required.” We noted that the Fair has no evidence of bidding in the agreement for after-hours security services.

Recommendations

3. *The Fair should ensure it reports the value of providing an individual rent-free housing to the IRS on a Form 1099-B, Proceeds from Broker and Barter Exchange Transactions.*
4. *The Fair should ensure it complies with the State Contracting Manual by obtaining competitive bids for all service contracts valued at more than \$5,000.*

TEMPORARY EMPLOYEES

The Fair allowed six temporary employees to work in excess of the 119-day limitation within a calendar year. According to the Accounting Procedures Manual (APM), “by law temporary employees may not work more than 119 days in a calendar year.” The APM further cites Article VII Sec. 4(1) of the Constitution of the State of California as its basis for this policy. We noted these employees worked 139, 149, 142, 149, 125, and 120 days respectively, in 2007.

Recommendations

5. *The Fair should comply with the APM and State constitution by ensuring temporary employees do not work in excess of the 119-day limitation.*

NON-REPORTABLE CONDITIONS

SPONSORSHIP REVENUE

An examination of sponsorship agreements revealed that Fair had one sponsorship agreement with terms greater than two years that was not submitted to the Division of Fairs and Expositions (F&E) for approval after both parties signed the agreement. As a result, the Fair entered into the agreement prior to notification of F&E review. Also, the Fair did not record a receivable and deferred income totaling \$3,000 for the sponsorship to be collected in 2008.

Recommendation

The Fair should submit to F&E for approval, when required, all proposed sponsorship agreements prior to entering into the agreement.

BOARD MINUTES

An analysis of the Fair's Board of Director's Meeting Minutes identified that the Board President did not sign and date eight out of twelve board minutes indicating a formal certification of the actual activity discussed in a public forum at year end 2007. Having the Board President examine and approve the minutes helps improve controls and mitigates the possibility of any changes being made to minutes after the fact.

Recommendation

The Fair should ensure the Board President formally certifies the minutes of all Board of Director's Meetings by signing and dating the related minutes after a review has taken place. This process serves dual purposes as it (i) helps to ensure the minutes accurately reflect the activities discussed during the public forum, and (ii) mitigates the possibility for changes to be made to the minutes.

ACCOUNTS RECEIVABLE

Upon examination of Accounts Receivable (A/R) sub-account #13120 totaling \$6,512, our office noted that the Fair incorrectly accounted for security deposits and pre-payments received for events to be held in 2008 as a negative balance (credit) within A/R account #13120. Based on discussion and information provided by the Fair, we determined that security deposits totaling \$3,450 and pre-payments totaling \$6,185 should be removed from sub-account #13120 and reclassified into guaranteed deposits and deferred revenue, respectively.

Recommendation

The Fair should make the correcting adjusting journal entries to the corresponding accounts receivable account to reflect actual balances of monies owed to the Fair. In the

future, the Fair should account for security deposits and pre-payments for events in the proper liability account.

CARNIVAL REVENUE

Based on examination of carnival revenue, it appears that the Fair received \$9,155 in excess of what was entitled to the Fair from the carnival contractor. An examination of carnival presale tickets sold and payments made by the carnival contractor revealed that the Fair sold additional presale tickets subsequent to what was reported on the carnival recap sheet. As a result, the carnival recap sheet was calculated using the understated presale ticket sales and the carnival contractor made a final payment that was not necessary. The Fair should research this variance and, if necessary, establish an accounts payable for the amount due the carnival contractor.

Recommendation

The Fair should follow up with an ancillary review of the carnival recap sheet and if necessary repay any outstanding amounts. In the future, a reconciliation should be performed by the Fair and carnival contractor prior to receiving or making of any payments.

GUARANTEED DEPOSITS

The Fair did not maintain a proper control log to track guaranteed deposit outstanding for the year ended 2007. Furthermore, the Fair did not maintain detailed supporting accounting records that reconciled with the amount reported at year-end. As a result, the CDFA audit office could not verify the guaranteed deposit balance reported in the Statement of Operations (STOP) for the year ended 2007. As per Generally Accepted Accounting Principle (GAAP), sound accounting and business practices, and the Accounting Procedures Manual (APM), the proper matching of revenues and expenditures should be in the correct accounting period. Since guaranteed deposits represent a liability on the Fair's balance sheet, errors in the posting of activity may materially affect the Fair's results of operations.

Recommendations

The Fair should maintain a guaranteed deposit control log, which identifies the corresponding receipts numbers that are issued when funds are received. Furthermore, the control log should be updated periodically and the total balance should be reconciled to the general ledger at year-end.

The Fair should ensure that all amounts reported as liabilities in the year-ending financial statements, including amounts reported in Account #241, are supported with detailed accounting records prior to closing the accounting period and preparing the year-end financial statements.

ADMISSION REVENUE

The review of the Fair's admission records revealed the following conditions:

Management Report #08-014

Grass Valley, California

- a. The Fair did not perform a ticket reconciliation of their admissions and parking admission sales to amounts reported in the general ledger to ensure proper accountability over admissions revenue. Our office noted that the Fair overstated admissions and parking revenue by \$3,996 and \$6,380, respectively. It appears that Fair used rolls of tickets from prior years for admission and parking but there was no supporting documentation available to account for those extra tickets sold. According to the Accounting Procedures Manual, prior to every event, Fairs should record the beginning inventory.
- b. The Fair did not prepare Daily Ticket Summary Reports and Deposit Summary for all the days of the event during fairtime. According to the Accounting Procedures Manual, at the end of each day, a summary report of the daily's sales must be prepared and reconciled to the Daily Ticket Seller's Report. The daily sales and deposit summary report provides valuable admissions information to management and should be modified to clearly present the day's sales activities.

Recommendations

The Fair should perform a ticket reconciliation of the admission tickets. This reconciliation should be compared to the revenues collected and recorded in the general ledger. By performing the ticket reconciliation, the Fair can detect discrepancies or errors, and have the opportunity to resolve the issues immediately.

The Fair should maintain documentation of the beginning ticket inventory for both admission and parking tickets when prior year's tickets are used.

The Fair should comply with the Accounting Procedures Manual and prepare a summary report of the daily sales and deposits at the end of each day.

DISTRICT AGRICULTURAL ASSOCIATION'S RESPONSE



April 20, 2009

Ron Shackelford, CPA
Chief, Audit Office
1220 N Street, Room 344
Sacramento, CA 95814

Dear Mr. Shackelford:

Please find enclosed the response to the Management Report #08-014 pertaining to the audit of the financial records of the 17th District Agricultural Association, the Nevada County Fairgrounds.

The management report and response has been discussed thoroughly the Board of Directors and the Association's staff. The Board is confident that any improper procedures have been addressed, corrected and that future procedures will comply with generally accepted accounting principles and the policies of the California Department of Food and Agriculture.

We appreciate the Audit Department's efforts and guidance in assisting the Association with proper accounting practices and fiscal controls.

Sincerely,


Sandra J. Woods, CEO

17th District Agricultural Association
Nevada County Fairgrounds

Management Report #08—14
Year Ended December 31, 2007

Response to Reportable Conditions

ACCOUNTING FOR LEAVE LIABILITY

Recommendation:

The Fair should encourage employees with excess balances to take time off and compensate employees in cash for excess CTO hours, thereby reducing their accumulated leave balances.

Response:

The Fair has created a more accurate system for tracking employee's hours and days worked; tracking reports are reviewed on a monthly basis and management and employees are kept informed of the current status. Employees are taking time off to better manage CTO. Employees have been compensated in cash for excess CTO, reducing their accumulated balances into compliance with the 240 maximum hours.

Recommendation:

The Fair should ensure permanent employees do not maintain accrued leave hours in excess of the required limits. The Fair should encourage the employees with excess balances to take time off, thereby reducing their accumulated leave balances.

Response:

The Fair is encouraging employees with excess leave balances to take time off. Further, two of the employees have been compensated in cash for the excess vacation, reducing their accumulated balance into compliance with the 640 hours maximum allowance.

One employee is exempt and in 2006 was paid for accumulated leave, recognizing that the accumulated balance was creating a considerable cash burden should the employee separate from the Fair. Subsequent, it was determine that the exempt employee could not be paid for more than 40 hours of accumulated vacation annually and accordingly the leave liability was re-booked and a receivable was created from the employee. The Fair will encourage the employee to take time off in conjunction with paying the employee for 40 hours of accumulated vacation annually; however it is unlikely that there will be a significant reduction in the employee's accumulated leave balance and accordingly this issue will continue as a reportable condition.

BARTER SERVICES WITH TEMPORARY EMPLOYEES

Recommendation:

The Fair should ensure it reports the value of providing an individual rent-free housing to the IRS on a Form 1099-B, Proceeds from Broker and Barter Exchange Transactions.

Response:

The Fair will report the value of providing an individual rent-free housing to the IRS on a Form 1099-B commencing with the fiscal year ending 2009. Note: the Management Report #08-014 auditing Year Ended December 31, 2007 was received after the deadline for filing Form 1099 for Year Ended December 31, 2008.

Recommendation:

The Fair should ensure it complies with the State Contracting Manual by obtaining competitive bids for all service contracts valued at more than \$5,000.

Response:

The Fair will make every effort to comply with the State Contracting Manual by obtaining competitive bids for bartered Work Camper services which may exceed \$5,000.

TEMPORARY EMPLOYEES

Recommendation:

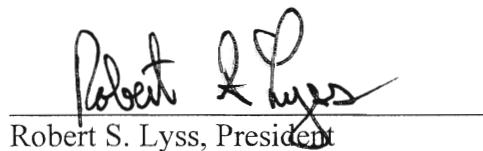
The Fair should comply with the APM and State constitution by ensuring temporary employees do not work in excess of the 119-day limitation.

Response:

The Fair has created a more accurate system for tracking employee's hours and days worked; tracking reports are reviewed on a monthly basis and management and employees are kept informed of the current status. The Fair intends to manage labor closer to ensure that employees do not work in excess of the 119 day limitation.



Sandra J. Woods, CEO



Robert S. Lyss, President

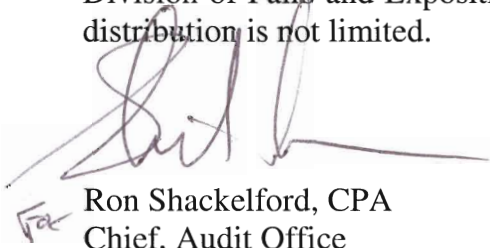
C DFA EVALUATION OF RESPONSE

A draft copy of this report was forwarded to the management of the 17th DAA, Nevada County Fair, for its review and response. We have reviewed the response and it addresses the findings contained in this report.

DISPOSITION OF AUDIT RESULTS

The findings in this management report are based on fieldwork that my staff performed between January 5, 2009 and January 16, 2009. My staff met with management on March 29, 2008 to discuss the findings and recommendations, as well as other issues.

This report is intended for the information of the Board of Directors, management, and the Division of Fairs and Expositions. However, this report is a matter of public record and its distribution is not limited.



For Ron Shackelford, CPA
Chief, Audit Office

January 16, 2009

REPORT DISTRIBUTION

<u>Number</u>	<u>Recipient</u>
1	President, 17th DAA Board of Directors
1	Chief Executive Officer, 17th DAA
1	Director, Division of Fairs and Expositions
1	Chief Counsel, CDFA Legal Office
1	Chief, CDFA Audit Office